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28 January 1957

MEMORANDUM FOR : The Director of Central Intelligence

SUBJECT : Impact of the Middle East Situation
on World Developments

1. This memorandum summarizes the conclusions and recommendations of the Board of National Estimates regarding the desirability of preparing an estimate on the political, economic, and strategic impact of the closure of the Suez Canal and related Middle East developments on areas outside Western Europe. As you recall:

a. In response to an Air Force proposal for such a paper on Western Europe, the IAC on 27 November 1956 (IAC-M-268) agreed that:

"The Board of National Estimates should draft, on a priority basis, terms of reference envisioning a paper along the lines of, but broader in scope than that proposed by the Air Force. These terms of reference would be discussed by the Board and IAC representatives and a final recommendation made with respect to whether the final paper should be done in one or more installments."

b. The IAC representatives subsequently accepted a Board recommendation that:

(1) An estimate be undertaken immediately on Western Europe, taking account of developments in Eastern Europe as well as in the Middle East. (This estimate, SNIE 20-56, "Impact of Recent Developments Upon Western Europe," was approved on 13 December 1956.)

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(2) The Board consider at a later date the desirability of an estimate of the effects of the Middle East situation on other areas.

2. The Board considers that an estimate on the effects outside Western Europe is not now needed. We note that the economic effects on all areas are fully covered by OIR in IR ~~7489~~⁷⁴⁸⁹, 7 January 1957, "The Economic Consequences of the Closure of the Suez Canal."

3. If clearance and rehabilitation of the Suez Canal proceeds at the present pace, which will permit reopening of the Canal within the time period assumed in SNIE 20-56, we believe that SNIE 20-56 and IR ~~7489~~⁷⁴⁸⁹ will remain generally adequate. Serious delay in opening the Canal, or a serious shortfall in oil supplies to Western Europe, might change the situation, however.

4. Recommendations:

a. That you ask the IAC to concur in a decision that no additional estimate be undertaken for the present under IAC-M-268.

b. That the IAC note that a reexamination of SNIE 20-56, or a broader estimate covering other areas, may become necessary if there are prolonged delays in the reopening of the Suez Canal to Western traffic or if there is a serious shortfall in the supply of Western Hemisphere oil to Western Europe.

c. That the Board of National Estimates be charged with preparing recommendations for further action in these matters should such be necessary.

FOR THE BOARD OF NATIONAL ESTIMATES:

/s/
SHERMAN KENT
Assistant Director
National Estimates